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SUBJECT: KEY MINISTERS AND WEISSGLAS REVIEW POTUS-SHARON
UNDERSTANDINGS, DISENGAGEMENT POLITICS, IMPLEMENTATION AND
AFTERMATH

Classified By: Ambassador Daniel C. Kurtzer for Reasons 1.4 (B) and (D)

¶1. (C) SUMMARY: In April 20 meetings with U/S Bolton and the Ambassador, Olmert and Weissglas said there is still a chance to keep the GOI coalition together, even if disengagement moves forward. However, Minister Lieberman, leader of one of the right-wing parties that is expected to bolt, told the Ambassador that there was no chance he would stay once the Cabinet approves disengagement. Sharansky, a Likud opponent of disengagement, hinted that he probably would not resign. Weissglas described the President's April 14 statements with Sharon as a shock to the Palestinian Authority, and thereby a potential spur to PA reform. He asserted that success in maintaining order in Gaza after Israeli withdrawal would have a major impact on Israeli public views about West Bank disengagement. Disengagement opponent Sharansky lauded the President's letter to Sharon, and asserted that the GOI would introduce it, along with a similarly favorable 1976 letter from President Ford, in final status talks. Olmert claimed that Sharon's April 18 statement tying Gaza withdrawal to completion of the West Bank fence was carefully worded to allow wiggle room. Weissglas said the withdrawal process could take up to 18 months if the settlers resisted, but recent settler expressions of interest in compensation indicated that withdrawal would move more quickly. He said Sharon is examining whether the settlers can receive advance payments; this would allow departures to begin within "a few months." Weissglas lauded Egyptian cooperation, and Olmert lauded PM Blair, although he said he shared Sharon's dim view of a UK security role with the Palestinians. Netanyahu emphasized the importance of Gaza economic development, his best ideas for which were the planned Aqaba to Ashdod "land bridge" and the employment of Gazans in "huge entertainment centers" outside Gaza. He said he had not yet given thought to integrating Gaza settlers into the Israeli economy, but thought it would "probably" be a problem. END SUMMARY.

¶2. (C) Visting Under Secretary John Bolton and the Ambassador discussed Gaza disengagement in April 20 meetings with Likud ministers Olmert, Netanyahu, and Sharansky, and with PM Chief of Staff Weissglas. The Ambassador discussed the same topic in a separate April 20 meeting with Transportation Minister Lieberman of the National Union (NU).

Coalition Future

¶3. (C) Rejecting the conventional wisdom that the GOI's two right-wing coalition members, the National Religious Party (NRP) and NU, will inevitably quit the government over Prime Minister Sharon's Gaza withdrawal plan if it goes forward, Olmert, the leading proponent of disengagement within Likud, said he hoped the coalition would stay together, and believed it could. The coalition, he said, would need the two pro-settler parties to help manage national emotions once the wrenching process of settlement dismantlement begins. Their departure from the coalition would also create a potentially difficult interim period between coalitions because Sharon would not have a majority behind him in the Knesset. Olmert believed NRP and NU could stay in the coalition and save face by arguing that their departure would not stop Gaza disengagement in any case, but that it would lead to a new coalition featuring both Shimon Peres and Shinui.

¶4. (C) Weissglas likewise held out hope that NRP and NU could choose to stay in the coalition, claiming that the two parties' determination had been wavering in recent days. Their "red lines," he commented, had not stayed fixed, moving from the PM's commitment to the disengagement policy, to a Cabinet vote in favor, to actual steps on the ground. Netanyahu, while also expressing the hope that NRP and NU would remain in the coalition, thought it unlikely. He lamented the impact of a possible change of coalition on his economic program, commenting that "Likud, Shinui and Lieberman" had an agreement to move quickly on free-market reforms.

¶5. (C) Lieberman categorically rejected any possibility that he would stay in the coalition after the Cabinet approves the disengagement plan. The Ambassador pressed Lieberman on whether he did not see any advantages to staying in the

coalition. Lieberman replied that one does not have a choice in certain decisions. Asking him to stay in the coalition after it approves settlement removals would, he said, be like "asking a religious man to eat pork." Sharansky, another disengagement opponent, said he could not imagine how the coalition would hold together after Sharon's plan moves forward. The Ambassador asked Sharansky whether he, personally, would stay in the coalition if disengagement prevails. Sharansky hinted that he would probably stay in, calling resignation a "more symbolic than practical" gesture, and commenting that his decision would hinge on whether he would have more influence inside or outside the Cabinet.

Impact of Bush-Sharon Meeting

16. (C) Weissglas described the results of the April 14 Bush-Sharon summit as an important source of much-needed leverage with the Palestinians. Experience over the past two years, he argued, has demonstrated that few means of pressure are available to use on the Palestinians. Economic pressure has little value on a population that is already very poor. Changes that one might be able to help shape in Palestinian public opinion yield little, if any, political action by the leadership. Israel's ability to apply military pressure is constrained by diplomatic and humanitarian concerns.

17. (C) The April 14 message out of Washington, however, very much shook Palestinian leaders, in Weissglas' view. For the first time, these leaders confronted the possibility that outsiders would make decisions for them. This new source of pressure might lead to internal change in the PA. If all goes according to plan, Palestinians will find themselves in control of Gaza sometime next year. How they handle this responsibility could prove to be an "extremely constructive pilot" project, with ramifications for the future of the West Bank. The maintenance of peace and order in Gaza would have a big impact on Israeli public opinion. Weissglas, however, was uncertain whether the Palestinians were up to the challenge, commenting that an "outdated Palestinian mentality" left the Palestinians inclined to complain, rather than take charge of their own problems.

18. (C) Sharansky, while reaffirming his opposition to disengagement, lauded Sharon for the letter he received from President Bush. He noted that President Ford had written a letter in 1976 that was similarly positive to Israeli positions. Saying he did not want to sound too cynical, Sharansky said that the GOI would try to use both letters to its benefit in final status negotiations. In any event, Sharansky said, he did not see that the "dramatic and difficult" steps involved in disengagement would advance the peace process, although he said he hoped that he was wrong.

Understandings with Bibi about the Fence

19. (C) Netanyahu's decision after the Washington summit to endorse Sharon's disengagement plan came up in the meeting with Olmert, although not in the meeting with Netanyahu, himself. Olmert asserted that Netanyahu had not wanted to find himself isolated in opposition to the plan after the April 17 Rantisi assassination. The PM made Netanyahu's support possible by appearing to accede to Netanyahu's demand for completion of the West Bank separation barrier to precede disengagement, and for the fence to take in Ariel. In fact, Olmert stressed, the PM's statement linking fence issues to disengagement had been carefully worded. Sharon, according to Olmert, said that "we'll make an effort" to complete the fence before disengagement begins, and that the route of the fence would be "in accord with the GOI decision" about the route, i.e., that there is no change in status quo plans for the route.

Disengagement Timetable

10. (C) Weissglas said Sharon's disengagement plan originated with the realization that the near future held no prospects for a final status agreement. The plan seeks to "rearrange space" and security provisions, and undo the deadlock between the parties. The plan might not follow the terms of the roadmap, but it makes progress in the right direction. Disengagement also dispels Palestinian doubts about the willingness of Israel ever to make territorial concessions.

11. (C) Asked about the timeline for withdrawal from Gaza, Weissglas described two scenarios. If the settlers resist leaving their homes, the process could take 18 months. (Comment: Weissglas apparently meant 18 months from the beginning of actual departure/removal of settlers.) The process would go much more quickly, he said, if a significant number of settlers cooperate. Signs so far indicate that cooperation is likely. A number of attorneys, some of whom

represent entire settlements, have already inquired about compensation. Weissglas said Sharon had asked the Ministry of Justice on April 19 to advise whether advance payments to settlers would be possible. If so, some settlers could begin moving out of Gaza within "the next few months."

Role of Outsiders

¶12. (C) Weissglas presented a potentially rosy portrait of Gaza after Israeli withdrawal. The agro-industrial facilities that settlers will leave behind could produce three times the food requirements of Gaza City. Egyptian intelligence chief Omar Suleyman had claimed that Egyptian assistance could help turn Gaza into a new Singapore. Weissglas lauded Egyptian cooperation overall on disengagement, commenting that the prospect of Israeli withdrawal from Gaza had forced the GOE "to leave its armchair." He hoped that Jordan would be similarly helpful on West Bank disengagement. While West Bank settlement removals envisaged in current plans are only "symbolic," the GOI, he claimed, has plans for "deeper" removals in subsequent stages.

¶13. (C) In response to Bolton's question about European reaction to the President's statements of April 14, Olmert said that PM Blair had been very helpful. The reactions of other Europeans would depend on the evolution of events, although they wanted to be helpful. Olmert thought that the Europeans could help foster a "less loaded atmosphere" in Gaza, and pointed to the work the UK is doing with Dahlan. The Ambassador pointed out that Sharon had told the President that he objected to the UK role. The Ambassador urged the GOI to "think strategically" by leaving room for a constructive European role in Gaza that goes beyond economic development. Olmert commented that he does not see things exactly as Sharon does and would like to give the Europeans a greater role, although he said that he, too, disapproved of the UK role in security.

¶14. (C) Olmert asked the Ambassador for his vision of European involvement, noting that he had difficulty envisaging a meaningful role for France or the Scandinavians. Some German officials, such as FM Fischer, are, on the other hand, friendlier to Israel. The Ambassador responded by pointing to the message the President delivered to Sharon the previous week. The President indicated that he saw disengagement leading to his two-state vision, and that he hoped to see the Palestinian economy develop. Assisting on this side could be a good role for the Europeans. The Ambassador commented that the U.S. and Israel need to do some strategic thinking together about this question.

Economic Future after Disengagement

¶15. (C) Netanyahu predicted that the actual process of withdrawal from settlements would be a "convulsion," the impact of which is unclear. The process should thus not go too fast. The GOI is already taking important steps to create a better post-disengagement reality in Gaza by "cutting Hamas down to size." He underlined the need to begin economic projects in Gaza. The Ambassador asked whether the GOI had formed any kind of working group to examine the question. Without answering directly, Netanyahu said the greatest contribution would come from a "land bridge" project linking the ports of Aqaba and Ashdod. The Palestinians would get docks at Ashdod and thereby be able to exploit export opportunities to Europe.

¶16. (C) The Ambassador pressed Netanyahu about plans that would lead to job creation in Gaza. Positing that Gaza's comparative economic advantages lie in low labor costs and agriculture, Netanyahu said consideration should be given to new labor-intensive industries, notably tourism. The creation of "huge entertainment centers" would create many jobs. These centers could be "next door" to Gaza, as security considerations and the absence of rule of law would deter outsiders from investing in Gaza, itself. Bolton asked whether the GOI foresaw problems integrating Gaza settlers into the national economy. Netanyahu replied that he had not yet given the question any thought, but thought it would "probably" be a problem.

¶17. (U) U/S Bolton did not have an opportunity to review this message.

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